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**Town of Benton
Benton, Louisiana**

Financial Statement with Auditors' Report

As of and For the Year Ended December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-6-05

Town of Benton
Benton, Louisiana

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Benton, Louisiana

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Independent Auditors' Report

Town of Benton
Benton, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benton, Louisiana, as of and for the year ended December 31, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Benton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

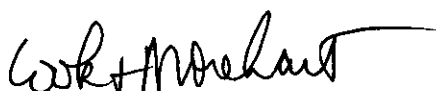
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benton, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2005 on our consideration of the Town of Benton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 3-10 and on pages 42-43, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as whole. The accompanying financial information listed as supporting schedules in the table of contents and shown on pages 44 - 46 is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Benton. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Cook & Morehart
Certified Public Accountants
June 17, 2005

TOWN OF BENTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Benton's financial performance provides an overview of the Town of Benton's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the Town's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Town of Benton's net assets of our governmental activities increased by \$363,849 or 15%. The Town of Benton's net assets of our business-type activities increased \$205,619 or 4%.
- In the Town's governmental activities, total general and program revenues were \$1,249,658 in 2004 compared to \$1,027,502 in 2003. Total expenses, excluding depreciation, totaled \$826,304 for the year ended December 31, 2004.
- In the Town's business-type activities, revenues increased by \$87,223, while expenses decreased by \$103,539.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Town of Benton as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town of Benton's operations in more detail than the government-wide statements by providing information about the Town of Benton's most significant funds.

Reporting the Town of Benton as a Whole

Our analysis of the Town of Benton as a whole begins on page 11. One of the most important questions asked about the Town of Benton's finances is "Is the Town of Benton as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the Town of Benton as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town of Benton's *net assets* and changes in them. You can think of the Town of Benton's net assets – the difference between assets and liabilities – as one way to measure the Town of Benton's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town of Benton's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities – Most of the Town's basic services are reported here, including the police, public works, and general administration. Property taxes, franchise fees, sales taxes, and police department fines, and various other revenues finance most of these activities.

Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the major funds maintained by the Town of Benton begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds maintained by the Town of Benton – not the Town of Benton as a whole. The Town of Benton's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the Town of Benton's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town of Benton's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Town of Benton expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.

Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are

the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN OF BENTON AS A WHOLE

The Town of Benton's combined net assets changed from a year ago, increasing from \$2,411,217 to \$2,775,066. The December 31, 2004 year was the first period that GASB Statement 34 was applied. The Town of Benton was not required to restate the prior periods for purposes of providing comparative data. However, our analysis below will focus on key elements of the total governmental and proprietary funds for the December 31, 2004 year. In future years, when prior year information is available, a comparative analysis of the funds maintained by the Town of Benton will be presented.

Table 1
Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Current and other assets	\$ 2,015,268	\$ 2,923,231	\$ 4,938,499
Capital assets	<u>1,058,957</u>	<u>2,989,705</u>	<u>4,048,662</u>
Total assets	<u>3,074,225</u>	<u>5,912,936</u>	<u>8,987,161</u>
Current liabilities	27,146	231,557	258,703
Long-term liabilities	<u>272,013</u>	<u>760,000</u>	<u>1,032,013</u>
Total liabilities	<u>299,159</u>	<u>991,557</u>	<u>1,290,716</u>
Net assets:			
Investments in capital assets, net of related debt	796,957	2,204,705	3,001,662
Restricted	908,873	1,249,914	2,158,787
Unrestricted	<u>1,069,236</u>	<u>1,466,760</u>	<u>2,535,996</u>
Total net assets	<u>\$ 2,775,066</u>	<u>\$ 4,921,379</u>	<u>\$ 7,696,445</u>

Net assets of the Town of Benton's governmental activities increased by \$363,849 or 15%. Net assets of the Town of Benton's business-type activities increased by \$205,619 or 4%.

Table 2
Change in Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Revenues			
Program revenues			
Charges for services	\$ 319,816	\$ 1,080,411	\$1,400,227
General revenues			
Ad valorem taxes	62,669	—	62,669
Sales taxes	544,285	136,071	680,356
Franchise taxes	39,532	—	39,532
Gaming taxes	218,953	—	218,953
Investment earnings	5,749	8,881	14,630
Miscellaneous	58,654	—	58,654
Total revenues	<u>1,249,658</u>	<u>1,225,363</u>	<u>2,475,021</u>
Expenses			
General government	458,367	—	458,367
Public safety	380,785	—	380,785
Capital outlay	34,909	—	34,909
Interest on long-term debt	11,748	—	11,748
Water, sewer, and sanitation	—	1,019,744	1,019,744
Total expenses	<u>885,809</u>	<u>1,019,744</u>	<u>1,905,553</u>
Increases in net assets	<u>\$ 363,849</u>	<u>\$ 205,619</u>	<u>\$ 569,468</u>

The Town's total revenues increased by 14% (\$309,379). The total cost of all programs and services decreased 1% (\$15,322). Our analysis below separately considers the operations of the governmental and business-type activities.

Governmental Activities

Total revenues for the governmental activities increased \$222,156 from total revenues in the year ended December 31, 2003 of \$1,027,502 to total revenues of \$1,249,658 in the year ended December 31, 2004. The primary reason for this increase was an increase in gaming taxes and sales taxes.

The cost of all governmental activities this year was \$885,809. These costs were covered by \$319,816 of program revenues, with the remaining costs covered by property taxes, sales taxes, and other general revenues.

Business-type Activities

Total revenues for the business-type activities increased \$87,223 (8%) from total revenues in the year ended December 31, 2003 of \$1,138,140 to total revenues of \$1,225,363 in the year ended December 31, 2004.

The cost of all business-type activities this year was \$1,019,744. These costs were covered by \$1,080,411 of program revenues, consisting of charges for services assessed to users.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a *combined* fund balance of \$1,971,855, which is higher than last year's fund balance, as restated, of \$1,830,371.

General Fund Budgetary Highlights

The Town adopted a budget for its General Fund for the year ended December 31, 2004. There was (1) one amendment to the budget during the year. The Town's budgetary comparison is presented as required supplementary information and shown on page 42. Highlights for the year are as follows:

- Revenue from property taxes was approximately \$45,000 higher than projected due to increased growth in the parish.
- Capital outlay reflected a sum of \$248,237. Included in this total were amounts budgeted for costs of buildings, infrastructure, equipment, and vehicles.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2004, the Town of Benton had invested \$4,048,662 in capital assets. (see table 3 below)

Table 3
Capital Assets At Year End
(Net of Depreciation)

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Land	\$ 298,775	\$ 29,500	\$ 328,275
Buildings	472,902	—	472,902
Infrastructure	80,746	—	80,746
Furniture, equipment, & vehicles	206,534	39,173	245,707
Sewer system and equipment	—	1,906,008	1,906,008
Water system	—	1,015,024	1,015,024
Total assets	<u>\$ 1,058,957</u>	<u>\$2,989,705</u>	<u>\$ 4,048,662</u>

This year's major additions included:

Sports Complex	\$ 102,144	\$ —	\$ 102,144
Vehicles (4)	41,223	26,341	67,564
Street improvements	<u>81,160</u>	<u>—</u>	<u>81,160</u>
Total	<u>\$ 224,527</u>	<u>\$ 26,341</u>	<u>\$ 250,868</u>

More detailed information about the capital assets are presented in Note 8 to the financial statements.

Debt

At year-end, the Town had \$1,047,000 in bonds and notes outstanding, versus \$1,109,000 last year – a decrease of 6%.

Table 4
Outstanding Debt At Year End

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
General obligation bonds	\$ 262,000	\$ –	\$ 262,000
Sales tax revenue bonds	–	335,000	335,000
Utilities revenue bonds	–	450,000	450,000
Totals	<u>\$ 262,000</u>	<u>\$ 785,000</u>	<u>\$1,047,000</u>

State law restricts the amount of debt that the Town of Benton may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the parish. The Town of Benton's total debt outstanding at year-end was well below this limitation.

More detailed information about the debt are presented in Note 12 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Benton's management considered many factors when setting a fiscal year December 31, 2005 budget. Amounts available for appropriation in the governmental funds are expected to increase due to an increase in sales tax and gaming tax revenues.

Expenditures for 2005 are expected to increase for the costs of general liability, property insurance, and workers' compensation insurance. Capital outlay reflects the costs of purchasing new vehicles.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Town of Benton and to show the Town of Benton's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at P.O. Box 336, Benton, LA 71006.

Town of Benton
Benton, Louisiana
Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,736,884	\$ 1,102,224	\$ 2,839,108
Investments	172,973	352,634	525,607
Receivables	89,144	103,119	192,263
Prepaid expenses	16,267		16,267
Restricted assets:			
Cash and cash equivalents		1,365,254	1,365,254
Capital assets, net	1,058,957	2,989,705	4,048,662
Total assets	<u>3,074,225</u>	<u>5,912,936</u>	<u>8,987,161</u>
Liabilities			
Accounts payable and accrued expenses	27,146	77,676	104,822
Payable from restricted assets:			
Revenue bonds - due within one year		25,000	25,000
Accrued interest		13,541	13,541
Customer deposits		115,340	115,340
Non-current liabilities:			
Due within one year	50,013		50,013
Due in more than one year	222,000	760,000	982,000
Total liabilities	<u>299,159</u>	<u>991,557</u>	<u>1,290,716</u>
Net Assets			
Invested in capital assets, net of related debt	796,957	2,204,705	3,001,662
Restricted for:			
Debt Service	139,545	1,249,914	1,389,459
Capital projects	34,131		34,131
Public Works	664,930		664,930
Other purposes	70,267		70,267
Unrestricted	1,069,236	1,466,760	2,535,996
Total net assets	<u>\$ 2,775,066</u>	<u>\$ 4,921,379</u>	<u>\$ 7,696,445</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Functions / Programs:					
Governmental Activities					
General government	\$ 458,367	\$ 170,431	\$ (287,936)	\$	\$ (287,936)
Public safety	380,785	149,385	(231,400)		(231,400)
Capital outlay	34,909		(34,909)		(34,909)
Interest on long-term debt	11,748		(11,748)		(11,748)
Total governmental activities	<u>885,809</u>	<u>319,816</u>	<u>(565,993)</u>		<u>(565,993)</u>
Business-type Activities					
Water, sewer, and sanitation	1,019,744	1,080,411		60,667	60,667
Total business-type activities	<u>1,019,744</u>	<u>1,080,411</u>		<u>60,667</u>	<u>60,667</u>
Total Government	<u>\$ 1,905,553</u>	<u>\$ 1,400,227</u>	<u>\$ (565,993)</u>	<u>\$ 60,667</u>	<u>\$ (505,326)</u>
General revenues:					
Ad valorem taxes			62,669		62,669
Sales taxes			544,285	136,071	680,356
Franchise taxes			39,532		39,532
Gaming taxes			218,953		218,953
Investment earnings			5,749	8,881	14,630
Miscellaneous			58,654		58,654
Total general revenue			<u>929,842</u>	<u>144,952</u>	<u>1,074,794</u>
Change in net assets			363,849	205,619	569,468
Net assets - beginning			2,411,217	4,715,760	7,126,977
Net assets - ending			<u>\$ 2,775,066</u>	<u>\$ 4,921,379</u>	<u>\$ 7,696,445</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Balance Sheet
Governmental Funds
December 31, 2004

	General	Sales Tax - Streets	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 866,806	\$ 637,830	\$ 232,248	\$ 1,736,884
Investments	162,256		10,717	172,973
Receivables	60,497	27,100	1,547	89,144
Total assets	<u>\$ 1,089,559</u>	<u>\$ 664,930</u>	<u>\$ 244,512</u>	<u>\$ 1,999,001</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 26,577	\$	\$ 569	\$ 27,146
Total liabilities	<u>26,577</u>		<u>569</u>	<u>27,146</u>
Fund balances:				
Reserved - debt service			139,545	139,545
Unreserved	1,062,982	664,930		1,727,912
Unreserved, reported in nonmajor:				
Special revenue fund			70,267	70,267
Capital projects fund			34,131	34,131
Total fund balances	<u>1,062,982</u>	<u>664,930</u>	<u>243,943</u>	<u>1,971,855</u>
Total liabilities and fund balances	<u>\$ 1,089,559</u>	<u>\$ 664,930</u>	<u>\$ 244,512</u>	<u>\$ 1,999,001</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2004

Fund balances - total governmental funds	\$ 1,971,855
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,058,957
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	16,267
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(272,013)</u>
Net assets of governmental activities	<u>\$ 2,775,066</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Sales Tax - Streets	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 62,669	\$	\$	\$ 62,669
Sales tax	272,142	272,143		544,285
Franchise taxes	39,532			39,532
Gaming taxes	218,953			218,953
Licenses and permits	170,431			170,431
Fines and forfeitures	149,385			149,385
Investment earnings	4,014	1,072	663	5,749
Miscellaneous	58,660			58,660
Total revenues	<u>975,786</u>	<u>273,215</u>	<u>663</u>	<u>1,249,664</u>
Expenditures:				
Current:				
General government	435,791			435,791
Public safety	375,404			375,404
Capital outlay	248,237			248,237
Debt service:				
Principal retirement			37,000	37,000
Interest and other charges			11,748	11,748
Total expenditures	<u>1,059,432</u>		<u>48,748</u>	<u>1,108,180</u>
Excess (deficiency) of revenues over expenditures	<u>(83,646)</u>	<u>273,215</u>	<u>(48,085)</u>	<u>141,484</u>
Other financing sources (uses):				
Transfers in		17,991	60,744	78,735
Transfers out	(17,991)	(60,744)		(78,735)
Total other financing sources (uses)	<u>(17,991)</u>	<u>(42,753)</u>	<u>60,744</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(101,637)</u>	<u>230,462</u>	<u>12,659</u>	<u>141,484</u>
Fund balances at beginning of year, restated	<u>1,164,619</u>	<u>434,468</u>	<u>231,284</u>	<u>1,830,371</u>
Fund balances at end of year	<u>\$ 1,062,982</u>	<u>\$ 664,930</u>	<u>\$ 243,943</u>	<u>\$ 1,971,855</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004

Net change in fund balances - total governmental funds	\$ 141,484
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$248,237) exceeded depreciation (\$59,505) in the current period.	188,732
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	6,646
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	(10,013)
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The repayment of principal of long-term debt consumes current financial resources of governmental funds.	<u>37,000</u>
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Change in net assets of governmental activities	<u><u>\$ 363,849</u></u>
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The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Balance Sheet
Proprietary Funds
December 31, 2004

	Business-Type Activities- Enterprise Funds
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,102,224
Investments	352,634
Receivables	103,119
Total current assets	<u>1,557,977</u>
Noncurrent assets:	
Restricted cash and cash equivalents	1,365,254
Capital assets:	
Land	29,500
Plant and equipment	4,481,319
Less: accumulated depreciation	<u>(1,521,114)</u>
Total noncurrent assets	<u>4,354,959</u>
Total assets	<u><u>\$ 5,912,936</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 77,676
Payable from restricted assets:	
Revenue bonds	25,000
Accrued interest	<u>13,541</u>
Total current liabilities	<u>116,217</u>
Noncurrent liabilities:	
Payable from restricted assets:	
Customer deposits	115,340
Revenue bonds	<u>760,000</u>
Total noncurrent liabilities	<u>875,340</u>
Total liabilities	<u>991,557</u>
Net assets	
Invested in capital assets, net of related debt	2,204,705
Restricted for debt service	1,249,914
Unrestricted	<u>1,466,760</u>
Total net assets	<u>4,921,379</u>
Total liabilities and net assets	<u><u>\$ 5,912,936</u></u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities- Enterprise Funds
Operating revenues:	
Charges for service -	
Water sales	\$ 563,151
Sewerage service charges	313,282
Solid waste collection	100,599
Other charges and fees	103,379
Total operating revenues	<u>1,080,411</u>
Operating expenses:	
Salaries	206,657
Payroll taxes	80,618
Office expense	16,017
Insurance	14,685
Professional Fees	12,192
Repairs and maintenance	147,078
Telephone	6,313
Utilities	29,225
Travel and training	3,804
Vehicle operations	18,619
Commerical hauling	79,346
Miscellaneous	14,838
Supplies	11,373
Water purchases	211,213
Depreciation	124,634
Total operating expenses	<u>976,612</u>
Operating income	<u>103,799</u>
Non-operating revenues (expenses):	
Interest income	8,881
Interest expense	(43,132)
Sales taxes	136,071
Total non-operating revenues	<u>101,820</u>
Change in net assets	205,619
Net assets - beginning of year, restated	<u>4,715,760</u>
Net assets - end of year	<u><u>\$ 4,921,379</u></u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	<i>Business-Type Activities- Enterprise Funds</i>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,080,411
Cash payments to suppliers for goods and services	(563,644)
Cash payments to employees for services	(287,275)
Other receipts (payments)	29,780
Net Cash From Operating Activities	<u>259,272</u>
Cash Flows From Non-Capital Financing Activities	
Sales Tax	<u>136,071</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition/construction of capital assets	(26,341)
Principal paid on capital debt	(25,000)
Interest paid on capital debt	(43,132)
Net Cash (used in) Capital and Related Financing Activities	<u>(94,473)</u>
Cash Flow From Investing Activities	
Cash payments for purchase of investments	(352,634)
Interest income	8,881
Net Cash (used in) Investing Activities	<u>(343,753)</u>
Net (decrease) in cash and cash equivalents	(42,883)
Cash, Beginning of year	<u>2,510,361</u>
Cash, End of year	<u><u>\$ 2,467,478</u></u>
Reconciliation of Operating Loss to Net Cash Provided	
By Operating Activities	
Operating income (loss)	103,799
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Depreciation expense	124,634
Accounts receivable	(6,275)
Accounts payable	26,215
Accrued interest	(1,060)
Customer deposits	10,705
Loss on disposal of capital assets	1,254
Net Cash Flows From Operating Activities	<u><u>\$ 259,272</u></u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004

INTRODUCTION

The Town of Benton is incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

(1) Summary of Significant Accounting Policies

The Town of Benton's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town of Benton are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town of Benton's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town of Benton's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Town of Benton has elected to implement the general provisions of the Statement in the current year.

A. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Benton is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town of Benton), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the Town of Benton are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

GASB Statement No. 14, as amended by GASB Statement No. 39, established criteria for determining which component units should be considered part of the Town of Benton for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Town to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

In addition, the GASB 39 states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

As required by generally accepted accounting principles, these financial statements present the Town of Benton and its component unit. The component unit included in the accompanying financial statements is blended with the Town's funds.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

Blended Component Unit

Component units that are legally separate from the Town but are so intertwined with the Town that they are, in substance, the same as the Town are blended component units. For a component unit to be blended, the organization's board and the Town must be substantively the same, or the organization must provide services entirely or almost entirely to the Town. The following component unit is reported as part of the Town and blended with the appropriate Town funds:

Metropolitan Planning Commission

The Metropolitan Planning Commission is responsible for the orderly physical development of the Town and the surrounding planning area. The Commission makes recommendations to the Board of Aldermen and the Parish Police Jury. The Metropolitan Planning Commission consists of five members with two appointed by the Town of Benton, two appointed by the Bossier Parish Police Jury, and one member is elected by joint action of the governing authorities. Although the Commission is legally separate, the Town acts as its fiscal agent and has the ability to modify and approve its budget. Separate financial statements are not issued on the Commission since its revenues and expenditures have been historically included as part of the General Fund within the Town's financial statements. Since the Commission provides services almost entirely to the Town and due to the significance of the fiscal dependency relationship, it has been blended with the Town's financial statements.

B. Basic Financial Statements – Government-Wide Statements

The Town of Benton's basic financial statements include both government-wide (reporting the funds maintained by the Town of Benton as a whole) and fund financial statements (reporting the Town of Benton's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's sales tax-streets fund, rehabilitation fund, debt service fund, capital projects fund, and general fund are classified as governmental activities. The Town's water, sewer, and sanitation services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Town of Benton's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Benton's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water, sewer, and sanitation services.

The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town of Benton as an entity and the change in the Town of Benton's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town of Benton are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town of Benton:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town of Benton:
 - a. General fund is the general operating fund of the Town of Benton. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

- c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- 2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

Sales Tax – Streets Fund - accounts for the proceeds of sales taxes levied for debt service requirements and street and drainage improvements.

Enterprise Fund – accounts for the provision of water, sewer, and sanitation services of the Town.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor prepares a proposed budget and submits same to Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. *Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:*

Buildings	20-54 years
Infrastructure	40 years
Furniture and equipment	5-20 years
Vehicles	5-20 years
Water and sewer systems	5-50 years

GASBS No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required. The Town has elected to implement the general provisions of GASBS No. 34 in the current year.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

H. Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The Town bills and collects its own property taxes, using the assessed values determined by the tax assessor of Bossier Parish. Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Town is entitled to the funds.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Sales Taxes

The General Fund and Special Revenue Fund accounts for the collection of a one cent sales and use tax each and the distribution of these taxes to other funds of the Town. Also, the enterprise fund accounts for a one-half cent sales and use tax dedicated for sewer system improvements and upkeep. For financial reporting purposes, sales taxes are recorded as revenue in the General, Special Revenue and Enterprise Funds net of collection expenses.

In 1989, the voters approved the issuance of public improvement bonds and rededicated the proceeds from the original one cent sales tax to pay any balance due to service the annual debt not covered by an additional one cent sales tax approved in conjunction with the bonds. Any remaining proceeds are used to pay general operating expenses of the Town.

In 1989, an additional one cent sales tax was approved by the voters. This revenue, net of expenses incurred in collecting the tax, is to be used for scheduled monthly payments to the Debt Service Fund for debt service requirements. The remaining amount, if any, is to be used for street and drainage improvements.

In 1990, a half cent sales tax was approved by the voters for the purpose of paying for improvements to and the upkeep of the Sewer System within the Town.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

In 1989 and effective January 1, 1990, the Town entered into an agreement with the City of Bossier City, Louisiana for the City of Bossier City, Louisiana to collect and distribute to the Town its two and one-half cent sales and use tax. The City of Bossier City, Louisiana charges 1% of the sales tax collected for these services.

K. Compensated Absences

The Town's policy allows annual leave based upon years of service. Employees must use all annual leave during the year in which it is earned or within the next three succeeding calendar months. Unused annual leave accumulated by an employee at the time of termination (not to exceed the amount of leave the employee can earn in one year) shall be paid in a lump sum with the employee's final pay.

The Town's policy allows sick leave based upon time worked. Employees may carryover unused sick leave, but will not be paid for unused sick leave upon separation from employment.

L. Interfund Activity

Interfund activity is reported as either loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

M. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

P. Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

Q. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Enterprise Fund consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

R. Postretirement Benefits

The Town provides no postretirement benefits to its employees.

(2) Change in Accounting Principles and Restatement of Fund Equity

A. Change in Accounting Principle

For the year ended December 31, 2004, the Town has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions"; GASB Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments"; GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the Governmental funds of the Town as previously reported.

	General Fund	Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund balance, December 31, 2003	\$ 1,142,542	\$ 434,468	\$ 231,284	\$ 1,808,294
GASB Statement 33/36 Adjustment—				
Gaming taxes	9,925	—	—	9,925
GASB Interpretation No. 6 Adjustment—				
Compensated absences	<u>12,152</u>	<u>—</u>	<u>—</u>	<u>12,152</u>
Fund balance, December 31, 2003, restated	<u>1,164,619</u>	<u>434,468</u>	<u>231,284</u>	<u>1,830,371</u>
GASB 34 Adjustment to Net Assets—				
Debt				(299,000)
Prepaid expenses				9,621
Capital assets, net				<u>870,225</u>
Governmental Activities Net Assets, June 30, 2003				<u>\$ 2,411,217</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

(3) Levied Taxes

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31.

The following is a summary of authorized and levied ad valorem taxes for the year:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General	7.23	5.71	N/A
Streets	4.96	3.92	2005

(4) Cash and Cash Equivalents

At December 31, 2004, the Town has cash and cash equivalents (book balances) totaling \$4,204,362.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2004, the Town has \$4,267,929 in deposits (collected bank balances). These deposits are secured from risk by \$120,000 of federal deposit insurance and \$4,147,929 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

(5) Investments

At December 31, 2004, the Town had investments totaling \$525,607 consisting of certificates of deposit with initial maturities greater than 90 days. The certificates of deposits are carried at cost, which approximates market. These deposits are secured from risk by \$100,000 of federal deposit insurance and \$425,607 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

(6) Receivables

The following is a summary of receivables at December 31, 2004:

<u>Class of Receivable</u>	
Governmental activities –	
Property taxes	\$ 13,497
Sales taxes	54,200
Gaming taxes	19,727
Miscellaneous	<u>1,720</u>
	<u>\$ 89,144</u>
Business-type activities –	
Accounts receivable – water and sewer charges	\$ 89,569
Sales taxes	<u>13,550</u>
	<u>103,119</u>
Total	<u>\$ 192,263</u>

(7) Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at December 31, 2004:

	<u>Enterprise Fund</u>
Customer deposits	\$ 115,340
Contingency, reserve, and sinking funds – revenue bonds	<u>1,249,914</u>
	<u>\$ 1,365,254</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

(8) Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance at 01/01/04	Additions	Deletions	Balance at 12/31/04
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 298,775	\$ —	\$ —	\$ 298,775
Capital assets, being depreciated:				
Buildings	618,000	102,144	—	720,144
Infrastructure	—	81,160	—	81,160
Equipment	166,780	23,710	—	190,490
Vehicles	130,489	41,223	—	171,712
Total capital assets, being depreciated, at historical cost	915,269	248,237	—	1,163,506
Less accumulated depreciation:				
Buildings	(227,275)	(19,967)	—	(247,242)
Infrastructure	(—)	(414)	—	(414)
Equipment	(53,178)	(10,996)	—	(64,174)
Vehicles	(63,366)	(28,128)	—	(91,494)
Total accumulated depreciation	(343,819)	(59,505)	—	(403,324)
Total capital assets, being depreciated, net	571,450	188,732	—	760,182
Governmental activities capital assets, net	\$ 870,225	\$ 188,732	\$ —	\$ 1,058,957

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

	Balance at 01/01/04	Additions	Deletions	Balance at 12/31/04
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 30,500	\$ -	\$(1,000)	\$ 29,500
Capital assets, being depreciated				
Vehicles	79,953	26,341	(8,332)	97,962
Sewer system	1,899,774	-	-	1,899,774
Sewer equipment	791,094	-	-	791,094
Water equipment	1,650,803	-	-	1,650,803
Other equipment	41,685	-	-	41,685
Total capital assets, being depreciated, at historical cost	4,463,309	26,341	(8,332)	4,481,318
Less accumulated depreciation:				
Vehicles	(67,020)	(10,957)	1,000	(76,977)
Sewer system	(653,128)	(39,121)	-	(692,249)
Sewer equipment	(75,062)	(17,549)	-	(92,611)
Water equipment	(584,425)	(51,354)	-	(635,779)
Other equipment	(24,921)	(5,654)	7,078	(23,497)
Total accumulated depreciation	(1,404,556)	(124,635)	8,078	(1,521,113)
Total capital assets, being depreciated, net	3,058,753	(98,294)	(254)	2,960,205
Business-type activities capital assets, net	\$ 3,089,253	\$ (98,294)	\$ (1,254)	\$ 2,989,705

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

Depreciation expense was charged to Governmental and Business-type Activities as follows:

	Governmental Activities	Business-type Activities	Total
General Government	\$ 59,505	\$ -	\$ 59,505
Water, Sewer, and sanitation	-	124,635	124,635
Total	<u>\$ 59,505</u>	<u>\$ 124,635</u>	<u>\$ 184,140</u>

No prior accumulated depreciation was calculated on capital assets disposed of as of January 1, 2004, for purposes of GASB 34 conversion.

(9) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2004, consisted of the following:

Class of Payable	Governmental Activities	Business-type Activities	Total
Accounts	\$ 11,942	\$ 70,235	\$ 82,177
Payroll taxes	15,204	7,441	22,645
Total	<u>\$ 27,146</u>	<u>\$ 77,676</u>	<u>\$ 104,822</u>

(10) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$115,340 at December 31, 2004.

(11) Interfund Transfers

Interfund transfers for the year ended December 31, 2004 consisted of the following:

	Transfer To	Transfer From
Governmental Funds:		
General	\$ -	\$ 17,991
Sales Tax - streets	17,991	60,744
Non-major Governmental	60,744	-
	<u>\$ 78,735</u>	<u>\$ 78,735</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

(12) Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 299,000	\$ -	\$ (37,000)	\$ 262,000	\$ 40,000
Other long-term Liabilities – Compensated Absences	<u>12,152</u>	<u>-</u>	<u>(1,629)</u>	<u>10,523</u>	<u>10,523</u>
Total-Governmental Activities long-term liabilities	<u>\$ 311,152</u>	<u>\$ -</u>	<u>\$ (38,629)</u>	<u>\$ 272,523</u>	<u>\$ 50,523</u>
Less amounts due within period of availability – Recorded in accounts payable				<u>(510)</u>	<u>(510)</u>
Total long-term liabilities – governmental activities - Government-wide statements				<u>\$ 272,013</u>	<u>\$ 50,013</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type Activities:					
Revenue bonds:					
Utilities revenue					
bonds	\$ 460,000	\$	\$ (10,000)	\$ 450,000	\$ 10,000
Sales tax revenue					
bonds	<u>350,000</u>	<u>—</u>	<u>(15,000)</u>	<u>335,000</u>	<u>15,000</u>
Total revenue bonds	<u>810,000</u>	<u>—</u>	<u>(25,000)</u>	<u>785,000</u>	<u>25,000</u>
 Other long-term					
Liabilities –					
Compensated					
Absences	<u>4,054</u>	<u>762</u>	<u>—</u>	<u>5,816</u>	<u>5,816</u>
 Total-Business-type					
Activities long-term					
liabilities	<u>\$ 814,054</u>	<u>\$ 762</u>	<u>\$ (25,000)</u>	<u>\$ 790,816</u>	<u>\$ 30,816</u>
 Less amounts due within period of availability – business-type					
Activities - recorded in accounts payable				<u>(5,816)</u>	<u>(5,816)</u>
 Total long-term liabilities –					
Government-wide statements				<u>\$ 785,000</u>	<u>\$ 25,000</u>
 General Obligation Bonds –					
\$332,000 dated 9/10/02; due in annual installments of					
\$33,000 – \$48,000 through July 1, 2010; interest at 0.1%					
to 5.0%. The debt redemption is paid from the Debt Service					
Fund.					<u>\$ 262,000</u>
 Sales Tax Revenue Bonds –					
\$410,000 dated 2/1/98. Due in annual installments					
of \$10,000 - \$35,000 through February 1, 2018;					
interest at 4.5% to 7%.					<u>\$ 335,000</u>
 Utilities Revenue Bonds –					
\$500,000 dated 10/1/99. Due in annual installments					
of \$10,000 - \$35,000 through October 1, 2024;					
interest at 5.15% to 8%.					<u>450,000</u>
Total revenue bonds				<u>\$ 785,000</u>	<u>\$ 785,000</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

At December 31, 2004, the Town has accumulated \$139,545 in debt services funds for future debt requirements. The annual requirements to amortize all bonds outstanding at December 31, 2004 for the General Obligation Bonds and for the Revenue Bonds is as follows:

Governmental Activities – General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 40,000	\$ 9,070
2006	40,000	8,670
2007	42,000	7,570
2008	46,000	6,310
2009	46,000	4,470
2010–2014	48,000	2,400
	<u>\$ 262,000</u>	<u>\$ 38,490</u>

Business-Type Activities – Sewer Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 25,000	\$ 42,623
2006	30,000	41,086
2007	35,000	39,215
2008	35,000	37,335
2009	35,000	35,453
2010–2014	210,000	148,600
2015–2019	250,000	87,205
2020–2024	165,000	33,397
	<u>\$ 785,000</u>	<u>\$ 464,914</u>

(13) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

(14) Pension Plans

Municipal Employees Retirement System of Louisiana (System) Employees of the Town (except for police employees) are members of The Municipal Employees Retirement System of Louisiana. The System is a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the Plan follows:

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate was 7.75 percent of annual covered payroll for January through June, 2004, increasing to 9.50 percent effective July 1, 2004. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on results of the valuation for the prior fiscal year. *The Town contributions to the System under Plan B for the years ending December 31, 2004, 2003, and 2002 were \$28,105, \$19,114, and \$12,061, respectively, equal to the required contributions for each year.*

Municipal Police Employees Retirement System of Louisiana (System) Police employees of the Town are members of Municipal Police Employee's Retirement System of Louisiana. This is a statewide retirement system. This system is a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 per cent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate was 15.25 percent for January through June, 2004, increasing to 21.50 percent effective July 1, 2004. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town contributions to the System for the years ending December 31, 2004, 2003, and 2002 were \$38,624, \$20,135, and \$8,914, respectively, equal to the required contributions for each year.

(15) Leases

The Town leases certain equipment under operating leases. Rental costs on the equipment were \$5,181 for the year ended December 31, 2004. There are no commitments under lease agreements having lease terms in excess of one year.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

(16) Litigation

The Town is defendant in various legal actions most of which are adequately covered by insurance. Resolution of some cases could involve liability to the Town in excess of insurance limits if the courts find in favor of the plaintiffs. In the opinion of the Town's attorney, the Town's ultimate exposure is unknown at this time. It is the policy of the Town to pay uninsured judgements against the Town on a current basis from the excess of revenues over expenditures.

Town of Benton
Benton, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:	Original	Final		
Ad valorem taxes	\$ 70,000	\$ 62,500	\$ 62,669	\$ 169
Sales tax	200,000	226,306	272,142	45,836
Franchise taxes	35,000	38,100	39,532	1,432
Gaming taxes	100,000	181,400	218,953	37,553
Licenses and permits	108,000	180,606	170,431	(10,175)
Fines and forfeitures	150,000	147,955	149,385	1,430
Investment earnings	11,500	2,943	4,014	1,071
Miscellaneous	27,700	69,482	58,660	(10,822)
Total revenues	702,200	909,292	975,786	66,494
Expenditures:				
Current:				
General government	714,320	472,385	435,791	36,594
Public safety	392,550	420,152	375,404	44,748
Capital outlay		154,690	248,237	(93,547)
Total expenditures	1,106,870	1,047,227	1,059,432	(12,205)
Excess (deficiency) of revenues over expenditures	(404,670)	(137,935)	(83,646)	54,289
Other financing sources (uses):				
Transfers in	200,000	182,100	182,009	(91)
Transfers out			(200,000)	(200,000)
Total other financing sources (uses)	200,000	182,100	(17,991)	(200,091)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(204,670)	44,165	(101,637)	(145,802)
Fund balances at beginning of year, restated	673,690		1,164,619	1,164,619
Fund balances at end of year	\$ 469,020	\$ 44,165	\$ 1,062,982	\$ 1,018,817

Town of Benton
Benton, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Sales Tax - Streets
For the Year Ended December 31, 2004

	Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:			
Sales tax	\$ 200,000	\$ 272,143	\$ 72,143
Investment earnings	3,000	1,072	(1,928)
Total revenues	<u>203,000</u>	<u>273,215</u>	<u>70,215</u>
Excess (deficiency) of revenues over expenditures	<u>203,000</u>	<u>273,215</u>	<u>70,215</u>
Other financing sources (uses):			
Transfers in		17,991	17,991
Transfers out	(174,314)	(60,744)	113,570
Total other financing sources (uses)	<u>(174,314)</u>	<u>(42,753)</u>	<u>131,561</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	28,686	230,462	201,776
Fund balances at beginning of year, restated	<u> </u>	<u>434,468</u>	<u>434,468</u>
Fund balances at end of year	<u>\$ 28,686</u>	<u>\$ 664,930</u>	<u>\$ 636,244</u>

Town of Benton
Benton, Louisiana
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	Rehabilitation	Debt Service	Capital Projects	Total Other Governmental Funds
Assets				
Cash and cash equivalents	\$ 60,072	\$ 139,545	\$ 32,631	\$ 232,248
Investments	10,717			10,717
Receivables	47		1,500	1,547
Total assets	<u>\$ 70,836</u>	<u>\$ 139,545</u>	<u>\$ 34,131</u>	<u>\$ 244,512</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 569	\$	\$	\$ 569
Total liabilities	<u>569</u>			<u>569</u>
Fund balances:				
Reserved - debt service		139,545		139,545
Unreserved, reported in nonmajor:				
Special revenue fund	70,267			70,267
Capital projects fund			34,131	34,131
Total fund balances	<u>70,267</u>	<u>139,545</u>	<u>34,131</u>	<u>243,943</u>
Total liabilities and fund balances	<u>\$ 70,836</u>	<u>\$ 139,545</u>	<u>\$ 34,131</u>	<u>\$ 244,512</u>

Town of Benton
Benton, Louisiana
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Rehabilitation	Debt Service	Capital Projects	Total Other Governmental Funds
Revenues:				
Investment earnings	\$ 249	\$ 333	\$ 81	\$ 663
Total revenues	<u>249</u>	<u>333</u>	<u>81</u>	<u>663</u>
Expenditures:				
Debt service:				
Principal retirement		37,000		37,000
Interest and other charges		11,748		11,748
Total expenditures		<u>48,748</u>		<u>48,748</u>
Excess (deficiency) of revenues over expenditures	<u>249</u>	<u>(48,415)</u>	<u>81</u>	<u>(48,085)</u>
Other financing sources (uses):				
Transfers in		<u>60,744</u>		<u>60,744</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>249</u>	<u>12,329</u>	<u>81</u>	<u>12,659</u>
Fund balances at beginning of year	<u>70,018</u>	<u>127,216</u>	<u>34,050</u>	<u>231,284</u>
Fund balances at end of year	<u>\$ 70,267</u>	<u>\$ 139,545</u>	<u>\$ 34,131</u>	<u>\$ 243,943</u>

Town of Benton
Benton, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2004

Mayor - Lynne Mascagni	\$ 9,900
Mayor - Albert Doughty	9,900
Aldermen:	
Johnny Barnett	3,600
Rutha Richardson	3,600
Marcille Hollis	3,600
Donna Wyatt	3,600
Richard Jackson	3,600
	<hr/>
	\$ 37,800
	<hr/>

COOK & MOREHART

Certified Public Accountants

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**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards***

Town of Benton
Benton, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benton, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of Benton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and is described in the accompanying schedule of findings as item number 2004-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Benton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting, which we have reported to the management of the Town of Benton in a separate management letter dated June 17, 2005.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a stylized flourish extending from the end.

Cook & Morehart
Certified Public Accountants
June 17, 2005

Town of Benton
Benton, Louisiana
Summary Schedule of Prior Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2004

There was one reportable condition for the prior year audit for the year ended December 31, 2003. Current status is as follows:

Reportable Condition #2003-1 – Insurance

During our audit we noted that the Town's commercial insurance was not paid for the policy period covering April 30, 2003 to April 30, 2004 until April, 2004. This was not discovered by the Town until the April, 2004 premium came due.

Current Status: No finding noted in current year audit.

There were two management letter comments for the prior year audit for the year ended December 31, 2003. Current status is as follows:

Comment #1: Fixed Asset Records

Improvement noted. No comment in current year audit.

Comment #2: Restricted Cash Accounts

See repeat comment in current year audit.

Town of Benton
Benton, Louisiana
Corrective Action Plan For Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2004

There was one finding for the current year audit for the year ended December 31, 2004, as follows:

Finding #2004-1 Budget

Description of Finding:	The Town of Benton did not amend its budget in accordance with the Local Government Budget Act. Total actual expenditures exceeded budgeted expenditures by five percent or more for the general fund for the year ended December 31, 2004.
Corrective Action Planned:	In the future, all transfers in and out of the different funds will be budgeted appropriately.
Name of Contact Person:	Albert Doughty, Mayor

There was one management letter comment for the current year audit for the year ended December 31, 2004.
Management's response is as follows:

Comment #1: Restricted Cash Accounts

The Town will examine all debt issues to determine appropriate reserve requirements in order to un-restrict cash.

Certified Public Accountants

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05 JUN 69 14:11:33

Town of Benton
Benton, Louisiana

During our audit the following item was noted involving internal control over financial reporting and other operational matters which appears to merit your attention for consideration to improve the internal control over financial reporting or operations of Town of Benton.

Comment #1: Restricted Cash Accounts

During our audit we noted that the Town has restricted cash accounts established for various reasons. It appears that the Town has excess cash in restricted funds, partially due to the debt issues of the Town having been refinanced and the reserve requirements changed.

We recommend that the Town re-examine the reserve / restricted account requirements of the Town to determine appropriate amounts to be classified as restricted cash.

We express sincere thanks to the Town of Benton personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and is not intended to be used for any other purpose.

Cook + Morehaus

Cook & Morehart
Certified Public Accountants